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OPERATIONAL ACTIVITIES FOR DEVELOPMENT: ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

Letter dated 14 November 1997 from the Permanent Representative of the United Republic of Tanzania to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the San José Declaration and the San José Plan of Action adopted by the Group of 77 at the South-South Conference on Trade, Investment and Finance, held in San José, Costa Rica, from 13 to 15 January 1997.

On behalf of the Group of 77, I would highly appreciate if you would arrange for the present letter and its annex to be circulated as an official document of the fifty-second session of the General Assembly under agenda item 99 (b).

(Signed) Daudi N. MWAKAWAGO
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Annex

SAN JOSE PLAN OF ACTION

1. The Caracas Programme of Action identified South-South Cooperation as an integral part of the collective action of the Group of 77 and China to renew, accelerate and strengthen cooperative efforts and solidarity among developing countries. Since then South-South Cooperation has been understood as a strategy aimed at a more rational and effective use of the human, material, financial, scientific and technical resources of developing countries, in order to promote their development and strengthen their economic independence. At the same time, this cooperation has been conceived of as a mechanism that offers the opportunity to take full advantage of existing and potential complementarities in their economies, to promote economic relations among developing countries based on equality and mutual interest as well as a means for building up the developing countries' self-reliance in negotiations vis-B-vis the developed countries.

PART I: TRADE

2. Globalization and liberalization have increased the potential for international trade to become an unprecedented engine of growth and an important mechanism for integrating countries into the global economy. Not all countries, however have been in a position to seize these new trading opportunities, specially the least developed among them.

3. Taking into account the Singapore Ministerial Conference and bearing in mind the principle of differential and more favourable treatment for developing countries, the developing countries will seek to promote the following:

- secure full and faithful implementation of the Uruguay Round Agreement, specially in areas of interest to developing countries, such as textiles and agriculture, as well as those in favour of LDCs and net food importing developing countries;
- develop an agenda to be pursued for further liberalization and to consult on issues such as investment, competition policy and trade and environment;
- fully and effectively utilise the Dispute Settlement Mechanism of the World Trade Organization (WTO) to safeguard their rights under the WTO Agreements; and
- implement the Plan of Action and decisions in favour of the least developed countries approved at the Singapore Conference including the meeting with UNCTAD and ITC in 1997 to foster an integrated approach to assisting these countries in enhancing their trading opportunities.

4. With the aim of achieving the complete integration of the developing countries into

the world economy and the international trading system, the countries members of the G-77 and China:

- reaffirm the urgency to assert the required political will to ensure an open, rule-based, equitable, secure, non-discriminatory, transparent and predictable multilateral trading system.
- reaffirm the need for full implementation of the Uruguay Round Agreement.
- call upon Member States of the Uruguay Round Agreement, especially the developed countries, to implement fully the commitments agreed upon in the Final Act, including measures to mitigate adverse consequences on the developing countries, while stressing that the Final Act confers special and differential treatment for developing countries, in particular the least developed countries and the net food importing countries.
- reject the use of disguised protectionist measures in the form of new concepts seeking to link domestic standards relating to environment, labor laws, and other issues, through the application of arbitrary trade measures and bilateral pressures against developing countries.
- emphasize the importance of ensuring the universality of the World Trade Organisation and, in this context call for expedition in accession process of applying developing countries that are not members of the General Agreement on Tariffs and Trade.
- underscore that in the review of the application for membership no political consideration should be invoked to impede accession of the developing countries.

5. The continued marginalization of LDCs in the world economy is compounded by the process of rapid globalization and liberalization. Therefore:

- these countries need special measures to ensure their integration into the global economy and strengthen their capacity to compete effectively in world trade.
- the full and effective implementation of the Paris Programme of Action for LDCs including its mid-term global review as well as the LDCs Plan of Action contained in the WTO Ministerial Declaration of Singapore is strongly emphasized.
- South-South cooperation would be a very useful instrument to prepare the LDCs during the transitional period.
- developing countries that are in a position to do so, should share their experience with and provide technical assistance to LDCs to help them increase their capacities to meet their commitments under the Uruguay Round and also enhance their capabilities to exploit more fully the opportunities arising from the Round.

6. The interaction of Southern firms among themselves is instrumental in order to capture a fair share in the income and profit accruing from the production and consumption of the South. The strategy should include:

- the enhancement of direct commodity trade flows between Southern countries and enterprises;
- the processing value-added benefit of agricultural and mineral commodities in Southern countries;
- the development of Southern markets for manufactured exports;
- the improvement of on-line trade opportunity data bases for Southern countries;
- the provision of Southern sources of technical support for dealing with trade aspects;
- the opening up of markets for business-support services to southern companies;
- the encouragement of more intensive linkages between Southern Chambers of Commerce, trade associations, inter-industry linkages;
- the optimal utilization of UNCTAD's trade information system (TIS) and trade efficiency initiative to improve South-South trade and in developing an appropriate on-line system in order to identify trading opportunities, as well as to provide other trade related information relevant to the countries in the South.

7. The Global System of Trade Preferences (GSTP) among developing countries is a vital mechanism for the realization of increased trade among developing countries:

- Renewed efforts are necessary on the part of GSTP member countries to finalize the Second Round of negotiations with the best possible results;
- Efforts should also be made to conclude such negotiations at the level of plenipotentiaries in Geneva in 1997, the date of which will be decided by the Committee of GSTP Participants.

8. The GSTP Round at the Ministerial level should be reserved for the launching of the Third Round of Negotiations. In order for the next Round to achieve the objective of creating a framework to significantly increase trade among member countries of the G-77 and China, it might require:

- negotiations on the basis of linear reductions, with a minimum of exceptions.
- product-by-product negotiations in order to:
  a) improve preferential margins agreed in the linear reductions and
  b) draw up a list of exceptions;
- setting of the margin of preference agreed either in the linear reductions or product-by-product negotiations, at a sufficiently high level in order to have a real commercial impact on trade flows;
- the active encouragement of other member countries of the G-77 and China to join GSTP, thereby guaranteeing the active participation of all members countries of G-77 and China in the negotiations;
- the feasibility of providing special preferences to LDCs in order to enhance competitiveness and market access.

9. To provide analytical and institutional support to the GSTP process, UNCTAD is

requested to undertake a study to assess:

- the achievements of the GSTP process so far in enhancing trade between member countries;
- the bottlenecks encountered in the process and possible strategies that could be adopted in future rounds; and
- the feasibility of fixing time bound targets for achieving preferential trade flows.

10. With a view to augmenting trade and investment flows among G-77 countries, and to foster South-South cooperation, as well as to provide a concrete form and practical modality for bringing together business representatives from developing countries for displaying their products, technologies and capabilities that would result in actual match-making by way of trade tie-ups and industrial joint ventures, the Group supports the:

- holding of a composite G-77 trade fair during 1998
- holding a business seminar during 1998.

PART II: INVESTMENT

11. Investment is a key determinant of economic development and employment creation in developing countries. The existing shortage of private risk capital in most of the Southern countries limits the availability of domestic investment. Developing countries need to:

- build up their capital markets and stimulate private domestic investment.
- seek international foreign direct investment primarily through joint venture partnerships in view of the important nexus between trade and foreign direct investment.

12. Intra-South investment is an important element of economic cooperation among developing countries. It must be developed and strengthened in a spirit of partnership among the different actors involved in the economic process in our countries, in which the role of the private entrepreneurial sector is fundamental. For this purpose, the member countries of the Group of 77 and China should:

- adopt concrete measures to encourage investment among developing countries in manufacturing as well as service sectors, such as the pooling of resources among the enterprises in the South through strategic alliances or non-incorporated joint ventures to minimize constraints stemming from the lack of financial resources and product know-how;
- encourage direct investments through bilateral or multilateral agreements in accordance with improvement of financial and technical capabilities among

developing countries;

- introduce new markets among developing countries including the free economic trade zones.

13. To encourage such cross-investments, Southern Investment Banks and development finance companies need:

- to develop effective cross-border operating capacities and skills;
- to promote investments from other Southern countries through appropriate instruments;
- to know more about opportunities for investment in other Southern environs.

14. The current nascent capacity of Southern financial institutions to mobilise resources in external capital markets could be expanded:

- through strategic alliances among financial institutions, followed eventually by joint ventures.

15. The promotion and attraction of foreign direct investment is fundamental. For this purpose:

- agreements for the protection of investments among developing countries should be pursued as a concrete measure to further South-South investments.

PART III: FINANCE

16. Development can only take place in a supportive international economic environment in which major developed countries shoulder a special responsibility. In the North-South context, the fact that the current international discussions on development are increasingly sidelining or ignoring the external dimensions, is the origin of serious concerns in the developing world. In the South-South context:

- developing countries should develop mechanisms and incentives to accelerate flows of resource among them, and to this end developing countries in a position to do so, should provide financial assistance to other developing countries in particular the LDCs;
- developing and developed countries should coordinate and implement an active strategy to accelerate world growth, undertake significant policy adjustments, promote sustained and substantial flows of Official Development Assistance (ODA) and promote a system of financial cooperation capable of preventing the emergence of serious financial crises and reducing the level of financial volatility, taking into account the special vulnerability of the LDCs.

- The risk taking capacity of Southern banking systems should be expanded to provide both normal and structured trade finance for South-South trade transactions with multilaterally agreed guarantee cover for credit enhancement and country risk. To this end, there is a need to exchange experiences on exports financing through the dissemination of information among credit insurance institutions in the South. Furthermore, the UNCTAD's prototype model of trade-financing for regional cooperation and for developing national capacities can be utilized to establish or enhance the institutional framework for trade financing in the South;
- intra-regional arrangements and inter-regional protocols should be pursued to encourage integration of the Southern financial markets;
- institutional and regulatory capacity should be developed for the expansion and diversification of South-South financial transactions;
- the capacity of developing countries' financial sector in mobilizing capital for investment in Southern countries and structuring project finance should be enhanced.

17. The Group of 77 and China has an important role to play in strengthening relations between the United Nations System and the Bretton Woods Institutions. For that purpose:

- the institutional structure of the G-77 and China should be strengthened in order to facilitate, inter alia, the coordination among its different chapters;
- The interaction between the Office of the Chairman of the Group of 77 and China in New York and Geneva and the Group of 24 in Washington, D.C. should be further intensified.

PART IV: OTHER RELATED AREAS

Industrialization

18. Industrial development has an important role to play in the reduction of disparities that result from the unequal involvement of the developing countries in the processes of globalization and liberalization, as well as a dynamic instrument essential to the rapid economic and social development of developing countries. The members of the G-77 and China reaffirm that industrialization should be urgently promoted in order to contribute to the eradication of poverty and the creation of productive employment. As the central coordinating agency for industrial development in the UN system, the relevance and importance of UNIDO lies in the fact that it provides specialized services to developing countries which are essential to their economic and social development. Its recent successful major reform process has strengthened its role as a global forum on industrial policies and strategies and a provider of integrated technical cooperation services.

19. While industrialized countries are well equipped to reap the benefits of the globalization process, the situation remains unsatisfactory in many developing countries,

particularly LDCs. In this context, the Group of 77 and China calls for:

- the strengthening of the industrial base of the developing countries, in particular in Africa, the LDCs and the small island developing states;
- analyses on the linkages between industrial and trade development which should be carried out by research institutions in the developing world as well as United Nations agencies such as UNIDO and UNCTAD, in order to facilitate the exchange of valuable experience and information among developing countries;
- the increase of South-South investment flows in the industrial sector;
- UNIDO's network of investment promotion services to serve as the nucleus of a South-South industrial investment promotion network.

20. Small and medium size enterprises (SMEs) are an essential component in the development strategies of most developing countries. They are significant agents of economic growth, employment creation and social progress. Their lean size enable modern SMEs to adapt relatively easily to the new conditions of increased competition which requires continuous innovation and fast response to changes in demand. In this context, the development of SMEs should be promoted by:

- the enhancement of the establishment of a favourable legislative environment and the development of policies and programmes for the promotion of industrial subcontracting and partnerships.
- the establishment of national, regional and international networks of subcontracting and partnership exchanges is a concrete step which developing countries can take to broaden and deepen their industrial cooperation.
- tapping the experience and expertise of UNIDO and UNCTAD in the establishment and operation of such exchanges.
- utilizing the experience of UNIDO in establishing a global network for the promotion of competitive and innovative small and medium sized industrial enterprises.

Product quality

21. In order to improve product and process quality, industrial standards, quality control and metrology are of prime importance. In this context:

- UNIDO should be called upon to support the establishment of regional metrology laboratories;
- Product certification schemes in developing countries should be strengthened and mutual recognition, in particular at the regional level, promoted;
- Access to the networks and to other new information technology products should promote the position of developing countries providing data and information to assist strategic planning, market access to service providers from the South and technology

acquisition.

Technology and Information

22. Few developing countries have access to the new communication and information technology. Among the developments which were cited in this regard was the establishment of the South Investment Trade and Technology Data Exchange Centre (SITTDEC). In the light of this experience:

- renewed consideration should be given to ways and means of enhancing the effectiveness of such initiatives, including their promotion among developing countries;
- there is a vital need for developing countries to put in place human resource development programmes for the transfer of knowledge and skills in these new technologies so that the adoption and assimilation of such technologies could take place;
- issues concerning science and technology, particularly the technology programme of the Caracas Programme of Action need to be revisited as a South-South development priority.

23. The experience of member countries of the Group of 77 and China that have implemented domestic reforms has in turn, created a favourable environment for the development of entrepreneurship and competitiveness, a valuable element for South-South cooperation that should be the subject of exchange with the least developed countries. To this end:

- the information networks set up by UNIDO, UNCTAD and the World Bank, should be supported and further developed. They are an objective and highly valuable source of information for increasing business opportunities and interactions among countries worldwide.

24. As international trade is increasingly determined by dynamic comparative advantages, based on technology, scientific and technological cooperation can be a viable avenue to upgrade the technological content of traditional exports of resource intensive and labour intensive goods and services. In this connection:

- those countries that have already established considerable capacities in new technologies, such as biotechnology, electronics and information services, should offer technical assistance and training and considerable joint R&D projects;
- in the case of commodity producers, joint R&D in product development and market promotion can benefit all producers;
- the area of manufacturing should provide considerable scope for Governments to

encourage technology transfer, particularly in basic and mature manufacturing industries, by providing incentives and facilities for Southern firms;

- there is also scope for the promotion of technology cooperation among firms in science-based industries.

25. Special attention should be awarded to the promotion of enterprise-to-enterprise Science and Technology cooperation through industry and business associations, universities and Research and Development institutes by providing frameworks of incentives and facilities, including financing facilities.

Informal Sector

26. Taking into account the important role played by the informal sector in the development of developing countries action must be taken to:

- Support the creation of an enabling environment through, inter alia, the development of infrastructures and institutional capacity building;
- Secure the access to finance, credit and the appropriate technology, technical services and information;
- Develop entrepreneurship including business skills;
- Promote marketing and experts;
- Feed into trade information networks relevant data relating to the informal sector of the economy;
- Increase the exchange of experience between entrepreneurs of the informal sectors of the member countries of the G-77 and China.

Infrastructure

27. The competitiveness of enterprises depends to a large extent, among others, on the existence of infrastructure and trade-supporting services such as customs, transportation, banking and insurance, telecommunications and business information systems. Land-locked developing countries and small island developing countries require special attention in order to overcome their particular development constraints. For this purpose:

- Viable transport and communication infrastructure should be secured through bilateral and regional agreements to govern transit transport operations, development of joint ventures in the area of transit transport; and strengthening of institutions and human resources dealing with transit transport;
- Triangular cooperation should be encouraged as an effective means for developing viable transit transportation systems among the countries of the South;
- Active and consistent efforts should be made to implement the Global Framework

for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community endorsed by the General Assembly at its fiftieth session;

- The investment in infrastructure must be considered greater priority by the international credit institutions. All Regional Development Banks should be encouraged to provide credits for the establishment of transportation and communication facilities to link up regions and sub-regions of the South with one another;

28. The interregional variable is one of the sources of South-South cooperation. For this purpose:

- A network of bilateral, trilateral and multilateral free trade initiatives and wider integration arrangements among each region should be pursued;
- The various integration schemes and sub-schemes in Africa, Asia, Latin America and the Caribbean should begin an active processes of exchange of experience and cooperation through concrete projects.

PART V: FOLLOW-UP OF THE SAN JOSE CONFERENCE AND INSTITUTIONAL ASPECTS

29. The Group of 77 and China commits itself in San Jose, Costa Rica to pursue by all means at its disposal a new vision of South-South cooperation and to make this process a priority in the work of the United Nations and its agencies and bodies such as UNDP, UNCTAD, UNIDO and FAO, among others.

30. There is a need to coordinate common positions of the developing countries in the multilateral economic, trade, finance and other relevant fora, as well as interactions and coordination among them, with a view to enabling the countries of the South to take initiatives and to forge common positions in related negotiations, so as to better safeguard the vital and common interests of the developing countries.

31. A special report should be prepared annually by UNCTAD to analyze the trends in trade, investment, and interflows of technology from the viewpoint of developing countries aimed at stimulating South-South Cooperation in these fields.

32. The U.N. agencies dealing with development in general, and South-South cooperation in particular, should be provided with the necessary means to carry out their functions. For that purpose, the existing institutions and mechanisms should be better utilised and innovative initiatives should be launched.

33. In order to advance trade, investment, and financial flows among developing

countries, the interaction of business people among them should be further intensified and facilitated.

34. In promoting effective South-South cooperation, it is important that the developing countries attach high priority to the social and human aspects of development and that they develop arrangements to benefit from sharing experience in this area.

35. Noting the important role of women in development and the necessity of engaging the participation of the various sectors of the civil society in South-South cooperation, there is a need to support the establishment of appropriate institutional mechanisms to enable women producers, women's micro-enterprises and women workers to benefit from the process of globalization by increasing their access to financing, markets, technology, education and training, and to encourage the networking of women's organizations in developing countries to contribute to the expansion South-South cooperation.

36. The transfer of technology is another key area in which the UN system can support South-South cooperation. To achieve this goal, the establishment by existing UN mechanisms including TCDC, ECDC and relevant sections of UNCTAD, UNIDO as well as Regional Economic Commissions of centers for information and technology transfer and their networking at various levels.

37. The active participation of regional financial institutions such as the African Development Bank (ADB), the Asian Development Bank (AsDB) and the Inter-American Development Bank (IDB), among others, should be encouraged in order to provide a financial base and a medium- and long-term perspective which is likewise indispensable.

38. The South Centre as an intergovernmental organization has provided and should continue to make substantive contributions to the activities of G-77 on a regular basis. The analytical capability of the South Centre remains of critical importance to the Group of 77 and China. Relations between both institutions need to be intensified for mutual benefit. In this context, members of G-77 and China should provide necessary resources to strengthen the capacity of the Centre. The Group of 77 should request the South Centre to prepare a report on the progress made in South-South cooperation.

39. The Group of 77 and China underscore the work that has been accomplished so far by the Perez-Guerrero Trust Fund (PGTF). In order to allow the Fund to achieve its objectives, efforts undertaken to increase its core capital should be continued.

40. The establishment by UNDP of a Trust Fund for South-South Cooperation in 1996, is an initiative of the greatest relevance that must be supported with financial resources from both countries of the North and the South.

41. The Member States who have not yet done so, should strive to develop national focal

points so as to better facilitate South-South cooperation.

42. It is of vital importance to South-South cooperation that the separate identity and financial stability of the Special Unit for TCDC be maintained within the structure of UNDP. The Special Unit for TCDC has an important function in fostering South-South cooperation.

43. It would be desirable that the Bretton Woods institutions, the World Bank and the International Monetary Fund, participate actively and join efforts with regional financial institutions to support projects and initiatives furthering South-South cooperation. The Group of 77 and the Group of 24 in Washington, D.C. should intensify their interaction.